

Message Text

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ACTION EB-07

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FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 6672

INFO USDEL MTN GENEVA

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E.O. 11652: N/A

TAGS: ETDD MRN OVIP (DENT, FREDERICK B.)

SUBJECT: CANADIAN VISIT OF STR DENT

PASS AGRICULTURE/FAS

1. AMBASSADOR DENT HAD FULL AND SUCCESSFUL DAY OF MEETINGS JUNE 6 IN OTTAWA, STARTING WITH EARLY MORNING PRESS BREAKFAST (BACKGROUND BASIS ONLY), FOLLOWED BY MEETING WITH AMBASSADOR AND EMBASSY OFFICERS, TWO-HOUR MEETING WITH SUB-MINISTERIAL GOC OFFICIALS CONCERNED WITH MRN MATTERS, LUNCHEON HOSTED BY ITC MINISTER GILLESPIE AND CONCLUDING IN LATE AFTERNOON WITH HOUR-LONG SESSION WITH MINISTER GILLESPIE, CANADIAN AMBASSADOR-DESIGNATE TO U.S. (WARREN), AND OTHER GOC OFFICIALS. THIS SUMMARY MESSAGE PREPARED FOLLOWING AMB. DENT'S DEPARTURE AND THUS HAS NOT BEEN CLEARED BY HIM.

2. AMBASSADOR DENT DESCRIBED TO GOC OFFICIALS U.S. THINKING ON HOW MTN MIGHT PROCEED OVER COURSE OF NEXT YEAR OR TWO: AT JULY TNC MEETING IN GENEVA VARIOUS WORKING GROUPS SHOULD
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BE INSTRUCTED TO LOOK FOR AREAS OF MTN WORK WHICH MIGHT BE

READY FOR "HARVESTS" IN EARLY 1976 AND IDENTIFY THESE FOR NOVEMBER MEETING. HE MENTIONED THE FOLLOWING WHICH MIGHT BE RELATIVELY "NEUTRAL" AREAS SUSCEPTIBLE TO FAIRLY QUICK AGREEMENTS: INTERNATIONAL STANDARDS, GOVERNMENT PROCUREMENT, TROPICAL PRODUCTS, SAFEGUARDS, TARIFF AREAS WHERE SOME COUNTRIES HAVE HAD "CREDITS" DUE FROM ACTIONS OVER PAST FEW YEARS, AND POSSIBLY SOME REFORM OF THE GATT ITSELF. AMB. DENT REPEATEDLY EMPHASIZED IMPORTANCE OF HAVING A SERIES OF EARLY SUCCESSES FROM GENEVA RATHER THAN LETTING NEGOTIATING RESULTS ACCUMULATE FOR A FINAL PACKAGE AT CONCLUSION OF TOKYO ROUND WHICH MIGHT BE SEVERAL YEARS OFF. IN RESPONSE TO GOC QUESTIONING, HE SAID THAT IN GENERALV HE THOUGHT EC COUNTRIES, EXCEPT FRANCE, AGREE WITH THINKING UNDERLYING SUCH A PROCESS AND THAT EVEN THE FRENCH INDICATED WILLINGNESS TO DISCUSS CONCEPT AT A LATER MEETING; HE WOULD LEARN THE JAPANESE REACTION ON HIS FORTHCOMING VISIT TO THAT COUNTRY, GOC OFFICIALS RESPONDED THAT THEY, TOO, SEE MERIT IN SUCH AN APPROACH BUT ARE APPREHENSIVE THAT A "MINI-PACKAGE" MIGHT LEAD TO AN EARLIER CURTAILMENT OF THE MTN TO THE DETRIMENT OF MORE FOR-REACHING RESULTS. AMB. DENT AGREED THAT THE CONCEPT OF "MINI-PACKAGE" MIGHT RUN THAT RISK AND REITERATED THAT HE PREFERRED TO THINK IN TERMS OF A SERIES OF "EARLY HARVESTS". ASSISTANT DEPUTY MINISTER LATIMER (ITC), WHO HEADED GOC TEAM OF OFFICIALS, MADE CLEAR IN SUMMING UP THAT HE SHARES VIEW THAT SOME DEMONSTRATION OF EARLY PROGRESS IS IMPORTANT TO MAINTAIN CREDIBILITY OF MTN AND PREVENT BACKSLIDING.

3. AGRICULTURAL ISSUES WERE DISCUSSED AT SOME LENGTH. WHILE RECOGNIZING THE CLEAR ADVANTAGE OF THE LONDON WHEAT TALKS BECAUSE OF THE PARTICIPATION OF THE USSR, GOC OFFICIALS THOUGHT THAT EC WOULD NOT LOOK UPON ANY LONDON AGREEMENT AS SELF-BALANCING BUT WOULD NEED SOME COMPENSATION THROUGH AN MTN LINK. AMB. DENT URGED FOR HUMANITARIAN REASONS THAT THE LONDON FORUM REACH QUICK AGREEMENT REGARDLESS OF WHAT AGRICULTURAL DISCUSSIONS WILL TAKE PLACE IN GENEVA. HE STATED THAT U.S., IN THIS REGARD, WILL NOT ATTACK THE CAP LIMITED OFFICIAL USE

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DIRECTLY BUT IS INTERESTED ONLY IN EC MEASURES WHICH HAVE A DETRIMENTAL BORDER EFFECT ON U.S. EXPORTS. CANADAINS NOTED PROBLEM IS COMPLEX; MANY "INTERNAL" EC AGRICULTURAL ACTIONS MUST BE SUBJECT TO INTERNATIONAL NEGOTIATION BECAUSE THEY ARE SO DIRECTLY RELATED TO VARIABLE LEVIES, RESTITUTION PAYMENTS, ETC. THEY ALSO HAVE IMPORT SUBSTITUTION EFFECTS WHICH DISADVANTAGE, FOR EXAMPLE, CANADAIN GRAINS SHIPMENTS. AMB.DENT

SAID THAT HE DID NOT DENY THIS POINT BUT NOTED THAT CAP WAS AN EVOLUTIONARY PROGRAM AND HE WAS HOPEFUL MANY OF THESE INTERNAL POLICIES COULD BE ENCOURAGED OVER TIME TO CHANGE AND BE LESS ONEROUS TO COUNTRIES SUCH AS CANADA AND THE U.S.

4. GOC OFFICIALS RAISED ISSUE OF TARIFF-CUTTING FORMULAE. THEY EMPHASIZED THAT FORMULAE PUT FORWARD BY ROD GREY IN GENEVA WERE "PERSONAL SUGGESTIONS" AND GOC DID NOT YET HAVE OFFICIAL POSITION. THEY EXPRESSED SURPRISE THAT U.S. FORMULAE INCLUDED "FLOOR" AND MADE CLEAR THEIR CONCERN THAT AGREEMENT ON A FORMULA WITH A FLOOR CONCEPT WOULD MAKE IT DIFFICULT FOR CANADA TO ACHIEVE SECTORAL OBJECTIVES AND WOULD RAISE BASIC QUESTION WHETHER ANY BALANCED PACKAGE MEETING GOC REQUIREMENTS WOULD BE POSSIBLE. AMB. DENT SAID U.S. ALSO NOT COMMITTED TO ANY FORMULA. SUGGESTIONS IN GENEVA WERE IN NATURE OF TRIAL BALLONS AND WERE BY NO MEANS "SET IN CONCRETE". HE NOTED THAT, GIVEN EC POSITION AND LDC DESIRE TO MAINTAIN GSP ADVANTAGES, IT MAY NOT BE POSSIBLE TO NEGOTIATE A FORMULA WITHOUT A FLOOR BUT EVEN IF A FLOOR IS SET IT SHOULD BE POSSIBLE TO NEGOTIATE SOME HOLES IN IT.

5. ON SUBJECT OF COUNTERVAILING DUTIES AND SUBSIDIES, GOC OFFICIALS EXPRESSED INTEREST IN POSSIBILITY OF UNDERSTANDINGS THAT WOULD COVER NOT ONLY SUBSIDIES THAT STIMULATE EXPORTS BUT THOSE NORMALLY CONSIDERED TO BE DOMESTIC IN NATURE WHICH FOSTER IMPORT SUBSTITUTION AND THUS HAVE IMPORTANT TRADE EFFECTS. THEY ALSO NOTED THAT ADDING AN INJURY TEST TO THE U.S. COUNTERVAILING DUTY LAW WOULD REQUIRE LEGISLATION AND WONDERED WHETHER CONGRESS COULD BE PERSUADED TO ACT. LIMITED OFFICIAL USE

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AMB. DENT ASSURED GOC OFFICIALS THAT AS FAR AS U.S. IS CONCERNED ALL ASPECTS OF COUNTERVAIL/SUBSIDY ISSUE ARE MTN-NEGOTIABLE.

6. AMB. DENT ALSO TOLD CANADIANS THAT, PARTLY AS RESULT OF OPEC ACTIONS, MAJOR MTN QUESTION IS THAT OF ACCESS TO SUPPLY. CANADIANS IN TURN MADE STRONG POINT THAT QUESTION IS ONE OF BOTH SUPPLY ACCESS AND MARKET ACCESS.

7. AT AFTERNOON MEETING WITH MINISTER GILLESPIE, AMB. DENT WAS REPEATEDLY ASKED FOR READING ON U.S. POLITICAL WILL TO PROGRESS WITH AND CONCLUDE MTN, AMB. DENT EMPHASIZED OVERWHELMING BIPARTISAN SUPPORT U.S. TRADE ACT HAD RECEIVED (ONLY 10 NEGATIVE VOTES IN BOTH HOUSES

OF CONGRESS) DESPITE ALMOST TOTAL LABOR OPPOSITION. HE STATED FIRMLY THAT HE DID NOT REPEAT NOT BELIEVE THAT THE U.S. 1976 ELECTION YEAR WOULD THUS INTERFERE WITH MTN PROGRESS BUT THOUGHT RESULTS WERE FAR MORE DEPENDENT UPON GENERAL WORLD ECONOMIC RECOVERY AND THAT IN THIS REGARD U.S. WAS IN NOR WORSE POSITION THAN ANY OTHER INDUSTRIAL COUNTRY.

8. MINISTER GILLESPIE STRONGLY URGED THE WELLKNOWN CANADAIN DESIRE FOR A SECTOR APPROACH TO THE MTN AND AMB. DENT NOTED THAT THE U.S. IN FACT SUPPORTED SECTOR PROGRESS AS A WAY TO ACHIEVE RESULTS ABOVE AND BEYOND ACROSS-THE-BOARD AGREEMENTS.

9. MEETINGS CONCLUDED ON THE POSITIVE NOTE THAT U.S. AND CANADA HAD NO MAJOR DIFFERENCES ON MTN OBJECTIVES, BUT PERHAPS ONLY IN SOME INSTANCES ON THE BEST WAYS TO ACHIEVE THOSE OBJECTIVES, AND THAT CLOSE CONSULTATION SHOULD CONTINUE.
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